



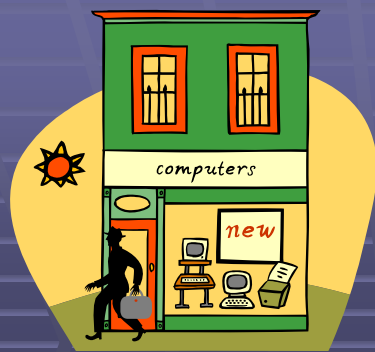
How is My Tax Rate Calculated?





Michigan's Unemployment System

- Michigan has an experience-rated tax system that uses the employer's payroll, unemployment taxes the employer paid, and unemployment benefits charged to the employer's account to calculate the employer's annual tax rate.
- Benefits paid, unpaid/underpaid taxes, and a fluctuating payroll can all cause a tax rate to increase.



New Employer Tax Rates

- Generally, in the first two years of liability the tax rate is set by Michigan law at 2.7%.
- The exception is for new employers in the construction industry whose rate for the first two years is the average construction contractor rate as determined by the Unemployment Insurance Agency each year.



Tax Rate in the Third & Fourth Years of Liability

- Tax rates in the third & fourth years of liability are based on the employer's own history of benefit charges and taxable payroll (Chargeable Benefits Component or CBC) and a base rate.
- The Chargeable Benefits Component (CBC) is pro-rated to phase in the employer's experience.
- The third year base rate is 1.8%.
- The fourth year base rate is 1.0%.



Tax Rate in the Fifth Year of Liability and Beyond

- Beginning in the fifth year of liability, the tax rate is comprised of three components that are computed separately and then added together to determine the yearly tax rate.
- The three components are:
 - Chargeable Benefits Component (CBC)
 - Account Building Component (ABC)
 - Non-chargeable Benefits Component (NBC)



Unemployment Experience

- The Chargeable Benefits Component (CBC) and the Account Building Component (ABC) are affected by the employer's payroll, the unemployment benefit charges to their account, and the tax payments received. Since these components reflect each company's own experience, they are known as the experience components.



Chargeable Benefits Component

- This component takes into consideration the amount of unemployment benefits charged to an employer's account over a 60-month (5-year) period, ending the previous June 30.

$$CBC = \frac{\text{60 months of benefits paid}}{\text{60 months of taxable payroll}}$$

The result is rounded to the next higher 0.1%



Account Building Component

- Unemployment insurance, like any insurance system, uses past experience to try to achieve solvency for the insurance system. In the case of unemployment insurance, the Account Building Component (ABC) serves this purpose by comparing the balance in an employer's individual UIA employer account (actual reserve) with a calculated optimal balance for the employer (required reserve).
- The calculation uses each employer's total payroll for the 12-month period ending the previous June 30th

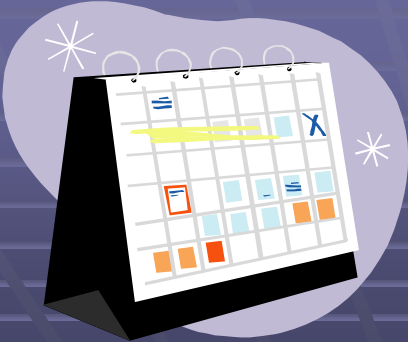
$$ABC = \frac{[(\text{Required Reserve}) - (\text{Actual Reserve})] \times 0.5}{12 \text{ months of total payroll}}$$

The result is rounded up to the next higher one tenth of one percent (0.1%) ₈



Nonchargeable Benefits Component

- This component is the only one of the three that does not entirely reflect an employer's own experience.
- This component is generally a flat 1.0% for all contributing employers with five or more years in business and unemployment benefit charges.
- For employers with no, or very few, benefit charges, the NBC can range from 0.5% to as low as 0.06%.



Computation Period

- A computation period is the four calendar quarters (12 months) used to determine a tax rate. A computation period begins July 1st of one year and ends the June 30th of the following year. The financial information that falls in this "period" is used to determine the unemployment tax rate for the next calendar year.



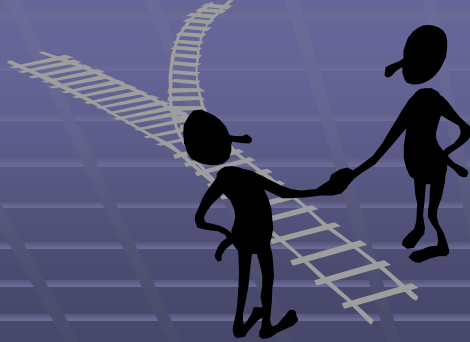
Computation Period

- For the 2009 tax rate, these are the quarters that were used in the computation:

9/30/2007
12/31/2007
3/31/2008
6/30/2008

- For 2010, these are the quarters that were used in the computation:

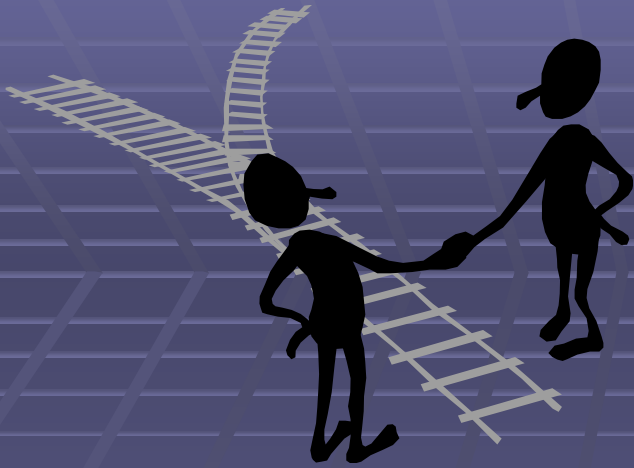
9/30/2008
12/31/2008
3/31/2009
6/30/2009



Acquisition of a Business

- If a new or existing business acquires the organization, trade, business or 75% or more of the assets of an existing business, there is a mandatory transfer of unemployment experience account of the predecessor employer. This is termed "successorship."
- If the taxable payroll attributable to the transferred portion of the business is less than 100%, then the transfer of experience is termed a partial transfer.

For additional information, please refer to Section 22(a) of the MES Act.¹²



Acquisition of Business with same Controlling Interest

- If an employer transfers its trade or business, in full or in part, to another employer and there is common ownership, management or control of the two employers at the time of the transfer, there is a mandatory transfer of unemployment experience.



Effects of Missing Tax Reports



- If at least 1, but fewer than 4, quarterly tax reports are filed, the employer will receive a computed tax rate plus a 3.0% non-reporting penalty added to their tax rate.
- If none of the required tax reports are filed, the rate will be set at the highest rate applicable for the number of years in business plus the 3.0% non-reporting penalty.
- For experienced employers, the rate could be 10.3% plus 3.0% = 13.3%.
- If the missing reports are filed within 30 days of the tax rate determination, the non-reporting penalty can be removed.
- Beyond the 30 days but up to one year, the non-reporting can be reduced to 2.0%.



Notification of Unemployment Tax Rate

- The UIA is required to notify each employer, no later than 6 months after the computation date (06/30), of their tax rate for the upcoming year.
- Tax rates are computed annually and are mailed on the last business day of the year for the upcoming calendar year. For example, tax rate determinations for 2010 were mailed 12/28/2009.
- If, subsequently, a tax rate is modified, a tax rate redetermination is issued.
- Form UIA 1771 is a determination, and like all determinations issued by UIA, it can be protested. Protests must be submitted in writing and received within 30 days of the mail date.

Form UIA 1771

UIA 1771
(Rev. 11/09)

State of Michigan
Department of Energy, Labor & Economic Growth
Unemployment Insurance Agency
Tax Office
3024 W. Grand Blvd., Suite 11-500 Detroit, Michigan 48202
www.michigan.gov/uiia

Authorized by MCL 42.1, et seq.
Response to this form is voluntary.

Employer No.:
Date Mailed: 12/28/2009



TAX RATE DETERMINATION FOR CALENDAR YEAR 2010



*The 10% Across-the-Board
tax reduction is not in effect
for the current tax year.

THIS IS NOT A REQUEST FOR PAYMENT

Your unemployment insurance tax rate, as provided under Sections 19, 22, and 18(d) of the Michigan Employment Security Act (Act), is shown below as "YOUR COMPUTED RATE." For information on "YOUR REDUCED RATE," see explanation on back. Your penalty (if applicable) is shown as "NON-REPORTING PENALTY IS." For information on the "SUTA RATE PENALTY," see explanation on back. SEE IMPORTANT INFORMATION ON THE BACK OF THIS FORM.

FORMULA FOR EACH COMPONENT	FIGURES BASED ON YOUR EMPLOYER ACCOUNT	RESULT (in percent)
NONCHARGEABLE BENEFITS COMPONENT (NBC)		
Amounts paid based on this component will not appear in the "Taxes Credited" line of the ABC calculation below.		(Maximum 1.00%) 1.00%
CHARGEABLE BENEFITS COMPONENT (CBC)		
48 months of benefit charges (ending 6/30/2009)	25,515.28	(Maximum 6.35%) 1.90%
48 months of taxable payroll (ending 6/30/2009)	1,399,111.11	
ACCOUNT BUILDING COMPONENT (ABC)		
Actual Reserve		
Prior Actual Reserve (as of 6/30/2008)	61,795.27	
Total Payments Credited to Taxes Due (as of 7/31/2009)	6,543.65	
Minus NBC (explanation above)	2,048.76	
Minus Non-Reporting Penalty	0.00	
Equals Taxes Credited to Experience Rating Account	4,494.89	
Minus Benefits Charged (12 months ending 6/30/2009)	2,172.00	
Equals Actual Reserve (as of 6/30/2009)	64,118.16	
Required Reserve		
12 months total payroll (ending 6/30/2009)	1,400,919.71	
Multiplied by Cost Criterion	.0375	
Equals Required Reserve (6/30/2009)	60,034.49	
ABC Calculation		
(Required Reserve - Actual Reserve) X .50	[60,034.49 — 64,118.16] X .50	(Maximum 5.85%) 0.00%
12 months total payroll (ending 6/30/2009)	1,400,919.71	
Your Computed Rate		2.90%

Taxable wage base for the year is: 9,000.00
Your taxable payroll for 12 months ending 6/30/2009 was: 204,876.61

* Your Reduced Rate (If applicable) **0.00%**
Non-Reporting Penalty Is **0.00%**
SUTA Rate Penalty **0.00%**
Solvency Rate **0.00%**

Your Rate plus Penalty (If applicable) **2.90%**

APPEAL STATEMENT: Any protest or appeal from this determination must be filed either in person, by mail, or by fax 1-313-456-2130 and must be received within 35 calendar days of the "Date Mailed" shown above, or if such 30th day is a Saturday, Sunday, or legal holiday, by the end of the next business day.

For details on how this rate was calculated, see Code 1 on reverse side.

Form UIA 1771-2

UIA 1771-2
(Rev. 11/09)

State of Michigan
Department of Energy, Labor & Economic Growth
Unemployment Insurance Agency
Tax Office
3024 W. Grand Blvd., Suite 11-500 Detroit, Michigan 48202
www.michigan.gov/uia

Authorized by MCL 42.1, et seq.
Response to this form is voluntary.



TAX RATE AND PENALTY DETERMINATION FOR CALENDAR YEAR 2010

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Employer No.:
Date Mailed: 04/16/2010



*The 10% Across-the-Board
tax reduction is not in effect
for the current tax year.

THIS IS NOT A REQUEST FOR PAYMENT

Your unemployment insurance tax rate, as provided under Sections 19, 22, and 18(d) of the Michigan Employment Security Act (Act), is shown below as "YOUR COMPUTED RATE." For information on "YOUR REDUCED RATE," see explanation on back. Your penalty (if applicable) is shown as "NON-REPORTING PENALTY IS." For information on the "SUTA RATE PENALTY," see explanation on back. SEE IMPORTANT INFORMATION ON THE BACK OF THIS FORM.

FORMULA FOR EACH COMPONENT	FIGURES BASED ON YOUR EMPLOYER ACCOUNT	RESULT (in percent)
NONCHARGEABLE BENEFITS COMPONENT (NBC)		
Amounts paid based on this component will not appear in the "Taxes Credited" line of the ABC calculation below.		0.00%
CHARGEABLE BENEFITS COMPONENT (CBC)		
48 months of benefit charges (ending 6/30/2009) 0.00 48 months of taxable payroll (ending 6/30/2009) 0.00		4.20%
ACCOUNT BUILDING COMPONENT (ABC)		
Actual Reserve		
Prior Actual Reserve (as of 6/30/2008) 0.00		
Total Payments Credited to Taxes Due (as of 7/31/2009) 0.00		
Minus NBC (explanation above) 0.00		
Minus Non-Reporting Penalty 0.00		
Equals Taxes Credited to Experience Rating Account 0.00		
Minus Benefits Charged (12 months ending 6/30/2009) 0.00		
Equals Actual Reserve (as of 6/30/2009) 0.00		
Required Reserve		
12 months total payroll (ending 6/30/2009) 0.00		
Multiplied by Cost Criterion X .0375		
Equals Required Reserve (6/30/2009) 0.00		
ABC Calculation		
(Required Reserve - Actual Reserve) X .50 12 months total payroll (ending 6/30/2009)		0.00%
[0.00 — 0.00] X .50		0.00%
Your Computed Rate		5.20%
Taxable wage base for the year is: 9,000.00 Your taxable payroll for 12 months ending 6/30/2009 was: 0.00		
CODE 2 - You have not submitted payroll reports (Form UIA 1020) for the quarter(s) ending: 09/30/2008 12/31/2008 03/31/2009 06/30/2009		
Therefore, you have been assigned the contribution rate applicable under Section 18(d)(2) of the Act (as amended). See Code 2 statement on reverse for instructions on eliminating or reducing your penalty.		
* Your Reduced Rate (if applicable)		0.00%
Non-Reporting Penalty Is		3.00%
SUTA Rate Penalty		0.00%
Solvency Rate		0.00%
Your Rate plus Penalty (if applicable)		8.20%

APPEAL STATEMENT: Any protest or appeal from this determination must be filed either in person, by mail, or by fax 1-312-456-2130 and must be received within 30 calendar days of the "Date Mailed" shown above, or if such 30th day is a Saturday, Sunday, or legal holiday, by the end of the next business day.

For details on how this rate was calculated, see Code 2 on reverse side.

Form UIA 1771-R

UIA 1771-R
(Rev. 11-09)

State of Michigan
Department of Energy, Labor & Economic Growth
Unemployment Insurance Agency
Tax Office
3024 W. Grand Blvd., Suite 11-500 Detroit, Michigan 48202
www.michigan.gov/uia

Authorized by MCL 42.1, et seq.
Response to this form is voluntary.

Employer No.:
Date Mailed: 04/16/2010



TAX RATE REDETERMINATION FOR CALENDAR YEAR 2010



*The 10% Across-the-Board
tax reduction is not in effect
for the current tax year.

THIS IS NOT A REQUEST FOR PAYMENT

Your unemployment insurance tax rate, as provided under Sections 18, 22, and 18(d) of the Michigan Employment Security Act (Act), is shown below as "YOUR COMPUTED RATE." For information on "YOUR REDUCED RATE," see explanation on back. Your penalty (if applicable) is shown as "NON-REPORTING PENALTY IS." For information on the "SUTA RATE PENALTY," see explanation on back. SEE IMPORTANT INFORMATION ON THE BACK OF THIS FORM.

FORMULA FOR EACH COMPONENT	FIGURES BASED ON YOUR EMPLOYER ACCOUNT	RESULT (in percent)
NONCHARGEABLE BENEFITS COMPONENT (NBC)		
Amounts paid based on this component will not appear in the "Taxes Credited" line of the ABC calculation below.		0.06% (Maximum 1.0%)
CHARGEABLE BENEFITS COMPONENT (CBC)		
60 months of benefit charges (ending 4/30/2009) 0.00 60 months of taxable payroll (ending 4/30/2009) 119,980.00		0.00% (Maximum 6.5%)
ACCOUNT BUILDING COMPONENT (ABC)		
Actual Reserve		
Prior Actual Reserve (as of 4/30/2008) 4,461.03		
Total Payments Credited to Taxes Due (as of 3/31/2009) 20.96		
Minus NBC (explanation above) 7.86		
Minus Non Reporting Penalty 0.00		
Equals Taxes Credited to Experience Rating Account 13.10		
Minus Benefits Charged (12 months ending 4/30/2009) 0.00		
Equals Actual Reserve (as of 4/30/2009) 4,674.13		
Required Reserve		
12 months total payroll (ending 4/30/2009) 398,360.00		
Multiplied by Cost Criterion .0375		
Equals Required Reserve (6/30/2009) 14,938.50		
ABC Calculation		
(Required Reserve - Actual Reserve) X .50 12 months total payroll (ending 4/30/2009)		1.30% (Maximum 3.0%)
<div style="border: 1px solid black; padding: 5px; display: inline-block;"> 14,938.50 — 4,674.13 </div> X .50		1.36%
Your Computed Rate		1.36%
Taxable wage base for the year is: 9,000.00 Your taxable payroll for 12 months ending 6/30/2009 was: 13,100.00		*Your Reduced Rate (if applicable) 0.00% Non-Reporting Penalty is 0.00% SUTA Rate Penalty 0.00% Solvency Rate 0.00%
APPEAL STATEMENT: Any protest or appeal from this determination must be filed either in person, by mail, or by fax 1-313-499-2138 and must be received within 30 calendar days of the "Date Mailed" shown above, or if such 30th day is a Saturday, Sunday, or legal holiday, by the end of the next business day.		Your Rate plus Penalty (if applicable) 1.36% 042009

For details on how this rate was calculated, see Code 1 on reverse side.



Contact Information

- Tax Status: liability, transfer of business
Phone: 313.456.2080
FAX: 313.456.2131
Email: EmployerLiability@michigan.gov
- Tax Maintenance: tax rates, missing tax reports
Phone: 313.456.2010
FAX: 313.456.2131
Email: TaxSupport@michigan.gov